

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 AGR-05 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

CEA-01 L-03 H-02 DODE-00 PA-01 PRS-01 PM-04 /089 W

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R 200415Z APR 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 3909

INFO AMEMBASSY CANBERRA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

C O N F I D E N T I A L JAKARTA 5104

EO 11652: GDS

TAGS: OVIP ID (BUTZ, EARL)

SUBJECT: PRESIDENT SUHARTO-SECRETARY BUTZ MEETING

1. SUMMARY: IN MEETING WITH SECRETARY BUTZ APRIL 19
INDONESIAN PRESIDENT SUHARTO DWELT PRIMARILY ON PRO-
BLEMS OF DEVELOPING AGRICULTURE IN INDONESIA. HE EX-
PRESSED APPRECIATION FOR IGGI HELP AND PL-480. SECRE-
TARY BUTZ DESCRIBED SPECIAL PROBLEM PALM OIL. END
SUMMARY.

2. IN ONE-HALF HOUR CALL ON PRESIDENT SUHARTO AT
MERDEKA PALACE APRIL 19 SECRETARY BUTZ CONVEYED
GREETINGS OF PRESIDENT FORD AND PRESIDENT'S PLEASANT
RECOLLECTIONS OF PREVIOUS MEETINGS WITH PRESIDENT
SUHARTO. HE EXPRESSED TO PRESIDENT SUHARTO CRITICAL
IMPORTANCE OF INCREASED FOOD PRODUCTION IN WORLD THAT
WOULD HAVE POPULATION EXCEEDING 7 BILLION BY YEAR 2000.

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3. IN RESPONSE, PRESIDENT SUHARTO DESCRIBED OBJECTIVES OF AGRICULTURAL DEVELOPMENT IN INDONESIA AS FIRST TO INCREASE FOOD PRODUCTION AND SECONDLY TO IMPROVE LOT OF FARMER. HE DESCRIBED SPECIAL PROBLEM ON OVER-CROWDED ISLAND OF JAVA AND SAID GOVERNMENT SEEKING TO MEET DIFFICULTY BITH BY HIGHER YIELDS AND BY PROMOTING TRANSMIGRATION TO OTHER ISLANDS.

4. SUHARTO SAID EXECUTIVE DIRECTOR OF ASIAN DEVELOPMENT BANK IN EARLIER CALL THAT DAY HAS ASKED PRESIDENT WHY INDONESIAN RICE YIELD PER HECTARE WAS SO MUCH LOWER THAN THAT IN TAIWAN AND JAPAN. PRESIDENT EXPLAINED THAT ONLY IN LAST FEW YEARS HAS INDONESIA HAD FERTILIZER AVAILABLE AND BEEN ABLE TO ASSIST FARMERS WITH CREDIT TO PURCHASE IT. FERTILIZAER USAGE IS STILL CONSIDERABLY LESS THAN TAIWAN OR JAPAN AND CONSEQUENTLY YIELD FALLS BEHIND THESE OTHER COUNTRIES. HE HAS ASSIGNED HIGH PRIORITY TO DEVELOPMENT OF FERTILIZER PRODUCTION AND HOPES TO BE PRODUCING 2.5 MILLION TONS OF UREA FERTILIZER BY 1978, THIS INCREASED PRODUCTION MUST, IN PRESIDENT'S VIEW, BE MATCHED BY ENCOURAGING FARMERS TO USE FERTILIZER AND INSURING CREDIT FOR ITS PURCHASE.

5. SECRETARY BUTZ ASKED WHETHER FARMERS WERE REQUIRED TO PAY FOR FERTILIZER IN COMMODITIES OR IN CASH. PRESIDENT SAID PAYMENT WAS IN CASH AND GOVERNMENT TOOK MEASURES TO STABLIZE RICE PRICES SO THAT FARMERS WOULD HAVE ADEQUATE RETURN TO MEET CREDIT OBLIGATIONS.

6. ON TRANSMIGRATION, PRESIDENT ACKNOWLEDGED THAT THIS WAS SLOW PROCESS AND TOOK CONSIDERABLE AMOUNT OF CAPTITAL. HE POINTED OUT GOVERNMENT MUST SUPPORT FARMER FOR FIRST EIGHT MONTHS IN NEW AREA WHILE FARMER PLANTED AND GREW INITIAL CROPS.

7. PRESIDENT SUHARTO EXPRESSED APPRECIATION FOR U.S. ASSISTANCE, PARTICULARLY IN AGRICULTURE. HE SAID HE RECOGNIZED EXECUTIVE BRANCH DESIRE TO HELP INDONESIA BUT WAS OFTEN DISAPPOINTED BY CUTS IN CONGRESS. SECRE-
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TARY BUTZ SAID HE FELT PENDULUM WAS SWINGING BACK TO MORE FAVORABLE CONGRESSIONAL VIEW OF FOREIGN AFFAIRS AND SAID HE WAS CONFIDENT OF CONTINUED SUPPORT BY MAERI-
CAN PEOPLE FOR FOREIGN ECONOMIC ASSISTANCE.

8. WHEN SECRETARY BUTZ REFERRED TO SINGNING OF PL-480 AGREEMENT THAT MORNING, PRESIDENT SAID HE WELCOMED THIS MOVE. GENERAL ARIFIN OF BULOG (RICE PURCHASING ORGANI-

ZATION) SAID HE TOO WELCOMED IT BUT WANTED MORE.

9. SECRETARY SAID AVAILABILITY OF COMMODITIES WOULD BE GOVERNING FACTOR BUT THAT SOME INCREASE MIGHT BE POSSIBLE.

10. TURNING TO SUBJECT OF PALM OIL, SECRETARY SAID HE WISHED TO ACQUAINT PRESIDENT WITH PRESSURES FROM SOYBEAN FARMERS IN U.S. FOR LIMITATIONS ON IMPORTS OF PALM OIL. ADMINISTRATION WOULD RESIST SUCH PRESSURES BUT HE BELIEVED INDONESIAN GOVERNMENT SHOULD BE AWARE THAT CONTINUAL INCREASE IN IMPORTS COULD MAKE SUCH RESISTANCE DIFFICULT. HE HOPED INDONESIA COULD FIND ADDITIONAL USES DOMESTICALLY FOR INCREASED PALM OIL PRODUCTION AND NOT INCREASE EXPORTS TO U.S. SUBSTANTIALLY. HE POINTED OUT ALSO THAT CONTINUING EXPANSION OF PALM OIL PRODUCTION AS WELL AS OTHER VEGETABLE OILS COULD BRING SHARP LEVELING OF PRICE WHICH WOULD NOT BE IN ANYONE'S BENEFIT.

11. MEETING ATTENDED BY MINISTER AGRICULTURE THOJIB, GENERAL ARIFIN OF BULOG, AND AMBASSADOR NEWSOM.

12. (STATE 093170) OPPORTUNITY DID NOT ARISE TO RAISE RURAL ELECTRIFICATION.
NEWSOM

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